Management Discussion & Analysis

Financial Quarters Ended
June 30, 2020 and
June 30, 2019
(expressed in Canadian Dollars)

BluMetric™ Environmental

August 31, 2020

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This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric's financial condition and results of operations for the three and nine months ended June 30, 2020. The MD&A should be read in conjunction with the Company's financial statements and related notes for the three and nine months ended June 30, 2020 as well as the MD&A and audited financial statements and notes for the year ended September 30, 2019. The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company.

This discussion and analysis of the financial condition and the results of operations contain forward-looking statements about expected future events and the financial and operating performance of the Company. These statements, which include descriptions of the Company's business strategy, potential variances impacting the Company's internal and external performance drivers, and the Company's ability to meet its ongoing working capital needs through the ensuing 12 months, are included in the "Discussion of Results of Operations", "Liquidity", and "Business Outlook" sections which follow. These statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. This MD&A also makes reference to certain non-GAAP measures to assist users in assessing BluMetric's performance. Non-GAAP measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Financial Terms and Definitions".

Business Update – COVID – 19 Pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic, prompting governments in the jurisdictions in which BluMetric Environmental Inc. ("BluMetric" or the "Company") operates to declare a state of emergency in response. This has impacted the Company's operations and has led to significant volatility in local and global markets.

As details of COVID-19 emerged, the Company developed and implemented a Pandemic Response Plan, led by its Industrial Hygiene/Health and Safety service line. The Plan established health and safety processes designed to meet or exceed guidance from applicable government health authorities with the intent of protecting the safety of BluMetric's employees and their families as well as that of the Company's clients and the communities in which it operates.

Specifics of the Pandemic Response Plan include onsite screening, increased hygiene and disinfection practices, physical distancing and provision of personal protective equipment. In addition to ensuring the health and safety of its employees, these measures allow BluMetric to focus on client service and mitigate impacts related to COVID-19.

The majority of BluMetric's workforce has been working from home since March 2020 and continues at this time. Recent investments in information technology systems have resulted in a quick and efficient transition to remote working while supporting continued collaboration and teamwork. At present, the Company is planning a phased re-population of its offices, however any change in working arrangements will be done slowly and in accordance with public health guidelines.

Much of BluMetric's work has been deemed essential by local governments. Certain components of the business, like the Company's Military and mining markets and its Industrial Hygiene/Health and Safety service line, have not been materially impacted by the pandemic. Other areas, such as real estate and industrial-commercial projects and projects in Canada's North, have seen postponements or significant slowdowns due to site access travel restrictions. As jurisdictions reopened their economies, the Company has seen activity resume for many projects that were on hold, however many on a modified basis.

Impacts of COVID-19 on the Company continue to include a risk that certain projects will not continue or there will be modifications to how client work is completed, which may increase costs. Further risk and uncertainty comes from the length of time it will take for the economy to return to pre-COVID-19 levels and the potential for a second or tertiary wave of COVID-19 and related government directives for non-essential business closures and travel restrictions.

As the Company navigates through the pandemic, it continues to pursue new revenue contracts, actively manage costs and ensure adequate liquidity. Specifically, the executive leadership team has taken voluntary reductions in compensation and the Company is utilizing various Government programs to manage its wage costs. The Company's Board of Directors have also voluntarily reduced their quarterly fees. On July 13, 2020 the Company entered into an amended credit facilities agreement with its bank. This agreement amended both the composition of the Company's borrowing limit, as well as the associated covenants. The borrowing limit is now a $2,500,000 shared limit between its overdraft facility and letter of credit, whereas previously the Company had $2,000,000 for its facility and $500,000 for letters of credit. Additionally, some changes were made with respect to covenants under the agreement.

BluMetric will continue to monitor and actively manage the impacts from COVID-19 on its projects and operations and is well positioned to react quickly to changes in the business climate.

Business Overview and Strategy

BluMetric Environmental Inc. ("BluMetric" or the "Company"), a Canadian company, provides cost-effective and sustainable solutions to help its clients overcome even the most difficult environmental and business challenges. Through a track record that spans 40 years, the Company has evolved into a full-service integrator of environmental solutions known for innovative work in the fields of water/wastewater treatment and professional environmental services.

With a focus on four key market segments—Mining, Commercial and Industrial, Government and Military—BluMetric's main services and products include:

- Engineering, Rehabilitation and Design
- Wastewater and Water Treatment Solutions
- Hydrogeology and Hydrology
- Environmental Due Diligence Assessments
- Waste Management (Solid, Liquid, Hazardous)
- Industrial Hygiene and Occupational Health and Safety
- Management Systems and Training

BluMetric's comprehensive, affordable offerings are tailored to the specific needs of not only each industry, but also each client. With innovation, agility and client-responsive service as its hallmarks, the Company builds partnerships with its customers by delivering a long-term, holistic approach to managing their complete environmental needs, and health and safety responsibilities. It is this high degree of service that differentiates BluMetric from competitors who simply provide a one size fits all product or service.

BluMetric lays claim to a standout talent pool of approximately 150 dedicated and passionate employees. BluMetric's elite team and client-centric approach form the underpinning of its success, contributing to the following core elements of its value proposition:

- Solution-oriented consultation, design, products and construction services
- Turn-key Solutions – BluMetric provides a complete end-to-end solution from assessment and evaluation to implementation to ongoing service and management

- World class expertise in the analysis, management and treatment of water in the environment
- Water treatment solutions that are compact, energy efficient, reliable and simple to operate

In February 2020, the Company opened a new office in Whitehorse, Yukon, bringing the total number of offices to ten. The expansion into the Yukon will ensure a stronger local presence while the Company works to secure future work in this region – a key area of growth.

BluMetric focuses its efforts primarily in North America. The Company is proud to be a trusted provider of services to many of Canada's northern Indigenous communities.

Technology and Innovation

Innovation is driven by client demands as they face more stringent environmental regulations. Developing a scientifically sound and economically viable solution for a specific problem is the creative process that differentiates BluMetric from its competitors.

Despite the business interruption caused by COVID-19, which has placed some research and innovation initiatives on hold, the demand for solutions that reduce the ammonia concentration in wastewater is still strong.

Ammonia is recognized as a significant nutrient contaminant responsible for the degradation of water quality. Government and public pressure has not abated and will continue to drive the implementation of stricter effluent limits for the mining, landfill, and industrial markets. BluMetric's patented ammonia removal process, MARS, has been used in several full-scale treatment systems in the mining and landfill sectors and has become an integral part in many of the proposals generated for these markets. This membrane and ion selective based process reduces ammonia by isolation and direct adsorption. Environmental compliance, reduced capital costs and reduced operational costs are the main advantages of the MARS process.

Creating cost effective water solutions opens up new revenue opportunities for BluMetric, and as such, the Company will continue to evaluate new opportunities in technology and innovation as they arise.

Sales and Marketing

BluMetric's business development efforts are primarily focused on four key markets where the Company has identified the greatest demand for its products and services:

- Mining
- Military
- Commercial and Industrial (site remediation and wastewater)
- Government (with specific expertise in Northern Canada)

BluMetric uses a client-centric approach to business development, which involves an emphasis on understanding each client's environmental issues and then identifying and preventing potential problems. This approach allows BluMetric to provide a complete and integrated solution.

Environmental concerns are evaluated to determine if they are client specific or market driven. This evaluation helps select the appropriate course of action, identifies trends and allows BluMetric to be more pro-active to the future demands of the market.

Satisfied clients provide repeat business as well as incredibly valuable word-of-mouth referrals. BluMetric continues to actively leverage the successes of past projects to expand and diversify client relationships, strategic partnerships and service offerings.

Board of Directors

The Board of Directors currently consists of five members, three of whom are independent. The independent directors reflect a wide range of senior experience in the management of publicly traded and privately held companies. The Board members have expertise in finance, operations, management, and governance.

Executive Management

The Senior Management team comprises: Scott MacFabe, Chief Executive Officer; Vivian Karaiskos, Chief Financial Officer; Tim Beckenham, Senior Director, Operations; and Wayne Ingham, Director, Strategic Business Development.

This team has extensive business and environmental experience and is well supported by highly qualified and experienced managers.

Our People

The BluMetric team consists of approximately 150 experienced and motivated hydrogeologists, engineers, occupational and industrial hygienists, environmental auditors, environmental scientists, chemists, project managers, finance professionals, trades and support personnel. They are experts in providing a comprehensive range of environmental services and engineered solutions, from contaminated site assessment and remediation to complete turn-key wastewater treatment systems.

Staffing levels fluctuate seasonally with the hiring of contract staff and students to meet peak demand periods. The Company strives to recruit and retain highly skilled employees who are able to use their technical expertise to deliver creative solutions to complex environmental issues.

Diversity

BluMetric is committed to the principles of diversity. The Company strives to create and support an inclusive work environment that respects and values the contributions of all employees and their individual differences.

BluMetric's employees come from a wide range of cultural, ethnic, educational and religious backgrounds. Additionally, women represent 48% of the workforce from welders and field service technicians to the senior members of the executive team and Board of Directors. To that end, BluMetric's goal is to capitalize on the strength derived from diversity while affording its team members the greatest opportunity to excel, grow, and contribute to business and society.

IFRS 16 Leases

Effective October 1, 2019, BluMetric adopted IFRS 16 Leases (IFRS 16) using the modified retrospective approach and did not restate comparative information. The new standard replaces IAS 17 Leases, and IFRIC 4 Determining Whether an Arrangement Contains a Lease (IFRIC 4) and requires companies to bring operating leases, formerly treated as off-balance sheet items, onto a company's statement of financial position.

On the statement of financial position, certain current and non-current items were reclassified to conform to the accounting requirements of IFRS 16.

The key impact of implementation on the statement of earnings is that instead of including fixed lease payments in operating expenses, these payments are reflected as depreciation of right-of-use (leased) assets and interest expense using the effective interest method for lease liabilities. This also impacts the Company's EBITDA and Adjusted EBITDA calculation (see "EBITDA and Adjusted EBITDA" section below).

On the statement of cash flows, fixed lease payments are no longer included in operating and investing activities, respectively, and are now recognized in financing activities. This reclassification increases cash flows from operating activities and reduces cash flows from investing and financing activities, resulting in a net zero effect on total cash flows.

Goodwill Impairment

Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired.

In the quarter ended March 31, 2020, indicators of impairment were identified which included a significant decline in the Company's market capitalization as traded on the TSX-V and a reduction to near-term internal operating forecasts due to economic uncertainty arising from the COVID-19 pandemic.

Based on management's impairment analysis, it was determined that the full carrying amount of goodwill was impaired. As such, the Company recorded non-cash impairment charge of $1.6 million in the quarter ended March 31, 2020.

Results of Operations

	Three Months Ended June 30, 2020 $	Three Months Ended June 30, 2019 $	Change $	Change %
Revenue	6,858,006	7,035,185	(177,179)	-3%
Gross profit	1,341,716	1,297,390	44,326	3%
Gross margin %	20%	18%		
Operating expenses	1,117,916	1,169,559	(51,643)	-4%
Other income	833,257	-	833,257	
EBITDA[1]	1,176,891	153,703	1,023,188	666%
EBITDA[1] – Excluding IFRS 16	1,067,181	153,703	913,478	594%
Adjusted EBITDA[2]	1,176,891	153,703	1,023,188	666%
Adjusted EBITDA[2] –Excluding IFRS 16	1,067,181	153,703	913,478	594%
Earnings before provision for income tax	943,121	12,464	930,657	7467%
Income tax expense	269,876	2,519	267,357	10614%
Net earnings	673,245	9,945	663,300	6670%
Weighted average common shares outstanding	28,675,695	28,675,695	-	-
Earnings per share – basic and diluted	0.02	0.00	0.02	

Results of Operations

	Nine Months Ended			
	June 30, 2020 $	June 30, 2019 $	Change $	Change %
Revenue	18,201,826	21,626,062	(3,424,236)	-16%
Gross profit	3,262,615	4,439,887	(1,177,272)	-27%
Gross margin %	18%	21%		
Operating expenses	3,580,437	3,625,273	(44,836)	-1%
Gain on disposal of assets held for sale	(947,914)	-	(947,914)	
Goodwill impairment	1,592,095	-	1,592,095	
Other income	833,257	-	833,257	
EBITDA[1]	217,629	893,335	(675,706)	-76%
EBITDA[1] – Excluding IFRS 16	(94,151)	893,335	(987,486)	-111%
Adjusted EBITDA[2]	861,810	893,335	(31,525)	-4%
Adjusted EBITDA[2] –Excluding IFRS 16	550,030	893,335	(343,305)	-38%
(Loss) earnings before provision for income tax	(511,663)	441,721	(953,384)	-216%
Income tax (recovery) expense	239,033	130,073	108,960	84%
Net (loss) earnings	(750,696)	311,648	(1,062,344)	-341%
Weighted average common shares outstanding	28,675,695	28,675,695	-	-
(Loss) earnings per share – basic and diluted	(0.03)	0.01	(0.04)	
Total assets	12,147,174	12,528,863		
Working capital	2,585,219	4,335,621		
Non-current liabilities	799,133	2,741,303		
Shareholders' equity	4,849,708	5,541,142		

Note 1: EBITDA is a non-IFRS measure (see 'Financial Terms and Definitions) and is calculated as net income before interest expense, income taxes, depreciation, and amortization.

Note 2: Adjusted EBITDA is a non-IFRS measure (see 'Financial Terms and Definitions) and is calculated as EBITDA before gain on disposal of assets held for sale and goodwill impairment

Discussion of Results of Operations

Q3 2020 compared to Q3 2019

Revenue for the quarter ended June 30, 2020 was $6.9 million, compared to $7.0 million for the same quarter for the prior year, despite the uncertainty and disruption caused by COVID-19.

The Commercial market was the most impacted by shut downs and project delays caused by the pandemic and declined by $400,000 compared to the prior year. Project activity in both the Military and Mining markets were deemed essential and saw little disruption as a result of COVID-19. Compared to Q3 2019, revenue from mining projects declined by $280,000 and revenue was consistent for military projects. Offsetting these declines was a notable increase of $550,000 from the Government market when compared to Q3 2019. The largest contributors are projects in the North, specifically for the provision of an effluent treatment plant at Giant Mine in Yellowknife, Northwest Territories, as well as monitoring projects for the Yukon Government. The projects in the Yukon are a result of the Company's direct efforts to secure new opportunities by opening an office in Whitehorse in February 2020.

Gross profit and gross margin for the quarter ended June 30, 2020 were $1.3 million and 20% respectively, compared to $1.3 million and 18% for the quarter ended June 30, 2019. The increase in gross margin, was a result of measures implemented with respect to employee utilization.

Operating costs for Q3 2020 decreased from $1.2 million in Q3 2019 to $1.1 million, mainly as a result of COVID-19 related cost control measures, travel restrictions and lower occupancy costs. These reductions were nearly fully offset by an increase in bad debt expense. Additionally, the Company received other income of $833,000 in the period ended June 30, 2020 as a subsidy for employee wages paid.

Net earnings for the quarter ended June 30, 2020 was $673,000 compared to net earnings of $10,000 for the quarter ended June 30, 2019.

Year to date Q3 2020 compared to year to date Q3 2019

Revenue for the nine months ended June 30, 2020 was $18.0 million compared to $21.6 million for the nine months ended June 30, 2019.

The majority of the decrease relates to one-time projects that occurred in fiscal year 2019 that did not re-occur in fiscal year 2020, related to both the Military and the Government markets.

In the Military market, there were multiple one time contracts related to 90 Day Sustainment Kits for the Reverse Osmosis Water Purification Units (ROWPU) for the Canadian Armed Forces as well as upgrades, which represented $3.8 million in revenue for the nine months ended June 30, 2019. Activity on the Seaspan Shipyard SROD contract press released on November 7, 2018 partially offset these declines. However, revenue from the Military market is down year to date by $2.6 million.

In the Government market, Q1 FY2020 was impacted by having less government site investigation and remediation projects from the summer months when compared to Q1 FY2019. Additionally, there were some one-time projects in Q2 FY2019, most notably an air quality and maintenance project in Nunavut, which did not repeat in Q2 FY2020. The strong results from the three months ended June 30, 2020 noted above have partially offset these declines. However, year to date, revenue from the Government market continues to be lower by approximately $900,000 from the same period in the prior year.

Gross profit and gross margin were $3.3 million and 18%, compared to $4.4 million and 21% year to date in FY2019. The reduction in gross profit and gross margin mainly relate to a difficult Q2 2020 where project activity was down as a result of the one-time projects described above, a greater proportion of time invested in business development that has not yet translated to revenue due to both longer sales cycles as well as projects being put on hold due to the uncertainty of the pandemic, and various revenue adjustments were required to account for the ambiguity of certain projects continuing given both the economic turmoil and the restrictions imposed by the government as a result of the pandemic.

Operating costs remained consistent with the prior year period at $3.6 million as a result of COVID-19 related cost control measures and travel restrictions, which was more than offset by higher bad debt expenses.

Finance costs were $383,000 compared to $373,000 reported for the same period in fiscal year 2019. Cash interest costs have decreased by $45,000 due primarily to the Company paying off its demand loan on December 19, 2019, but have been replaced by non-cash interest related to IFRS 16 adoption.

Net loss for FY2020 was $751,000 compared to net earnings of $312,000 for year to date FY2019. This decrease is attributable to lower revenue, lower gross profit and a non-cash impairment charge related to goodwill of $1.6 million taken in Q2 2020, offset by the gain on sale of the Company's office building in Q1 2020 of $948,000 and the government grant received for employee wages of $833,000 in Q3 2020.

EBITDA and Adjusted EBITDA (see "Financial Terms and Definitions")

	For three months ended			
	June 30, 2020 $	**Impact of IFRS-16[1] $**	**Excluding IFRS -16 $**	**June 30, 2019 $**
Net income	673,245	5,060	678,305	9,945
Finance costs	113,936	(14,587)	99,349	115,367
Income tax expense	269,876	2,136	272,012	2,519
Depreciation and amortization	119,834	(102,319)	17,515	25,872
EBITDA and Adjusted EBITDA	1,176,891	(109,710)	1,067,181	153,703

	For nine months ended			
	June 30, 2020 $	**Impact of IFRS-16[1] $**	**Excluding IFRS -16 $**	**June 30, 2019 $**
Net income	(750,696)	17,277	(733,419)	311,648
Finance costs	382,917	(41,977)	340,940	372,893
Income tax expense	239,033	6,229	245,262	130,073
Depreciation and amortization	346,375	(293,309)	53,066	78,721
EBITDA	217,629	(311,780)	(94,151)	893,335
Gain on disposal of assets held for sale	(947,914)	-	(947,914)	-
Impairment of goodwill	1,592,095	-	1,592,095	-
Adjusted EBITDA	861,810	(311,780)	550,030	893,335

Note 1: Impact of IFRS 16 removes the impact of leases that were classified as operating leases prior to adoption on October 1, 2019. This adjustment excludes the Company's capital leases, since the impact from these leases on EBITDA and Adjusted EBITDA are the same before and after the adoption of IFRS 16.

The Company recorded EBITDA and adjusted EBITDA of $1.2 million for the three months ended June 30, 2020 compared with $153,000 in Q3 2019.

Excluding the impact of IFRS 16, EBITDA would have been $ 1.1 million for the three months ended June 30, 2020. The increase in EBITDA is mainly due to other income of $833,000 from a government grant. For more detail, see "Discussion of Results of Operations" and "Quarterly Results".

For the nine months ended June 30, 2020, the Company recorded EBITDA of $218,000 compared to $893,000 for the comparable period in 2019. On an adjusted EBITDA basis the Company recorded $862,000 compared with $893,000 in 2019. Excluding the impact of IFRS 16, EBITDA would have been negative $94,000 and adjusted EBITDA $550,000

Quarterly Results

The following table presents selected data derived from our financial statements for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited financial statements and related notes.

Quarterly financial information for the eight quarters ended June 30, 2020
(in 000's, except as otherwise indicated)

	Q3 2020 June 30, 2020	**Q2 2020 March 31, 2020**	**Q1 2020 Dec 31, 2019**	**Q4 2019 Sept 30, 2019**
Revenue	6,858	5,028	6,316	6,626
Cost of sales	5,516	4,538	4,885	5,204
Gross profit	1,342	490	1,431	1,422
Gross margin%	20%	10%	23%	21%
Operating expenses	1,118	1,308	1,155	1,274
Gain on disposal of assets held for sale	-	-	(948)	-
Goodwill impairment	-	1,592	-	-
Other income	(833)	-	-	-
Finance costs	114	115	154	110
Earnings (loss) before provision for income tax	943	(2,525)	1,070	38
Income tax expense (recovery)	270	(257)	226	(1)
Net earnings (loss)	673	(2,268)	844	39
Weighted average common shares outstanding	28,675,695	28,675,695	28,675,695	28,675,695
Earnings (loss) per share – basic and diluted	0.02	(0.08)	0.03	0.00

	Q3 2019 June 30, 2019	**Q2 2019 March 31, 2019**	**Q1 2019 Dec 31, 2018**	**Q4 2018 Sept 30, 2018**
Revenue	7,035	6,989	7,601	8,563
Cost of sales	5,738	5,508	5,940	6,743
Gross profit	1,297	1,481	1,661	1,820
Gross argin%	18%	21%	22%	21%
Operating expenses	1,170	1,197	1,259	1,477
Finance costs	115	122	135	134
Earnings before provision for income tax	13	162	267	209
Income tax expense (recovery)	3	50	78	(2,116)
Net earnings	10	112	189	2,325
Weighted average common shares outstanding	28,675,695	28,675,695	28,675,695	28,675,695
Earnings per share – basic and diluted	0.00	0.00	0.01	0.08

The Company experiences variability in its results of operations from quarter to quarter due to the nature of the markets and geographies in which it operates. Typically, in the second quarter, the Company experiences slowdowns related to winter weather conditions and holiday schedules. Activity in the fourth quarter generally increases as a result of projects in the North that run in the summer season. For FY2020, these projects were delayed due to the pandemic and travel restrictions. Additionally, the Company also has a number of one-time contracts that occur throughout the year that can significantly impact the results of any one quarter.

Below are some key highlights for fluctuations quarter over quarter. For further information on the operating results of Q3 FY20 compared to Q3 FY19, please see the section on Discussion of Results of Operations. For information on the operating results of the previous three quarters, please see the Discussion of Results of Operations in each MD&A for each respective quarter.

Highlights on quarter over quarter variances include:

1. Q3 2020 vs Q3 2019 - The Company received other income of $833,000 in the period ended June 30, 2020 as a subsidy for employee wages.
2. Q2 2020 vs Q2 2019 – Total revenue declines by approximately $2.0 million primarily due to a decline in the Military and Government markets as a result of several onetime contracts that did not repeat in FY2020. The Company recognized an impairment of its goodwill during Q2 2020 of $1.6 million.
3. Q1 2020 vs Q1 2019 – Revenue decreased by approximately $1.0 million due to a decline in Military project revenue as a result of one time projects that started in Q4 2018 and continued until Q2 2019. The remaining decline was mainly due to a decline in projects in the federal and provincial markets, as Q1 FY2020 experienced the effects of having less government site investigation and remediation projects from the summer months when compared to Q1 FY2019. The Company also recognized a gain on sale of its office building at 3108 Carp Road of $948,000 in Q1 2020.

4. Q4 2019 vs Q4 2018 – There were several large site investigation and remediation projects related to emergency fuel spills in remote northern locations in Q4 2019 that did not repeat in Q4 2019.

Summary of Cash Flows

	For the nine months ended	
	June 30, 2020 $	**June 30, 2019 $**
Cash provided by (used in)		
Operating activities, before working capital	863,198	545,668
Operating activities, working capital	1,026,407	956,572
Operating activities, after working capital	1,889,605	1,502,240
Investing activities	1,036,224	(10,857)
Financing activities	(1,247,123)	(1,491,383)
Change in cash and cash equivalents	1,678,706	-
Cash and cash equivalents – Beginning of period	243,098	-
Cash and cash equivalents – End of period	1,921,804	-

Cash produced from operating activities of $1.9 million in the nine months ended June 30, 2020 compared with cash produced from operating activities of $1.5 million from the comparable period in 2019. The $400,000 increase primarily resulted from an $833,000 increase in other income which more than offset lower gross profit.

Investing activities provided cash of $1.0 million for the nine months ended June 30, 2020, which compared to cash used in investing activities of $11,000, in the same period in 2019. The increase is related to the sale of the Company's office building at 3108 Carp Road in Q1 2020, which provided net proceeds of $1.1 million.

For the nine months ended June 30, 2020, cash used in financing activities was $1.2 million compared to cash used by financing activities of $1.5 million in the same period of 2019. The lower cash used in 2020 was due to lower levels of debt that required repayment. Specifically, the Company repaid $925,000 to extinguish its demand loan in 2020, whereas it repaid $1.5 million on its operating credit facility in 2019.

Liquidity

The Company's short-term credit facilities consist of an operating demand loan in the amount of $2,500,000, which is a shared limit between its overdraft facility and letters of credit. The facility carries a floating interest at prime plus 2.25, is subject to margining based on the amounts of eligible accounts receivable and has no contractual maturity. For the period ended June 30, 2020, the effective interest rate under this facility was 4.70% (2019 – 6.2%).

As at June 30, 2020, the Company had drawn $nil on its operating demand loan and $nil in letters of credit (September 30, 2019 – $ 77,055 and $nil respectively).

The Company has certain covenants in accordance with its short-term credit facilities, as well as cross-default provisions with the company's term loan.

On July 13, 2020, the Company completed a renegotiation of its covenants and banking agreement, and the fixed charge coverage ratio was suspended for the quarters ended June 30, 2020 and September 30, 2020. However, since the renegotiation was completed after June 30, 2020, the Company was technically still in default with the fixed charge coverage ratio as at June 30, 2020 and technically in default of its cross-default provision on the term loan. As a result, the Company received a waiver from its lenders for both the default and cross-default. Since the waivers were received after June 30, 2020, the entire amount of the term loan has been reclassified as current and included in current liabilities as at June 30, 2020.

Based on the results for the period ended June 30, 2020, the Company was in compliance with all its renegotiated covenants.

The renegotiated banking agreement includes changes to both the composition of the borrowing limit as well as the covenants for its operating demand loan facility. There was no change in the cost of borrowing, collateral requirements or margining in the renegotiation.

With respect to the borrowing limit on the operating demand loan facility, the Company now has $2,500,000 available as a shared limit between its overdraft facility and letters of credit. Prior to the amendment, the Company had $2,000,000 on its facility and $500,000 for the issuance of letters of credit.

With respect to the covenants, the fixed charge coverage ratio covenant has been suspended for the quarters ended June 30, 2020 and September 30, 2020 and reinstated for the quarter ended December 31, 2020. While this covenant is suspended, the Company will be subject to a minimum 4-quarter trailing EBITDA covenant. In addition, there were changes made to the basis of calculation and requirement of an existing covenant, which now requires the Company to comply with a senior funded debt to tangible net worth ratio.

As at June 30, 2020, the Company's eligible accounts receivable exceeded the margining threshold for the operating demand loan and therefore the facility was fully available to the Company. There was $nil drawn on the facility at quarter end and no letters of credit issued. As at June 30, 2020, the Company had approximately $4.4 million in availability between its operating line and cash balances.

Business Outlook

The following comments include forward-looking information and users are cautioned that actual results may vary.

The Company continues to target a well-diversified portfolio within its four key markets.

BluMetric has re-aligned its sales and marketing team and is taking various measures to increase its top line by strengthening its private sector focus and pursuing higher margin water treatment projects.

BluMetric also continues to hone efficiencies with respect to project implementation and to focus on improving cost controls in order to deliver the most cost effective, innovative solutions possible.

Some of the best opportunities for growth are with projects where the client's operating expenses can be reduced as a result of the Company's proposed solutions and where these solutions help clients meet more stringent regulatory requirements. To this end, the Company is continuously working to ensure its positioning as a leader in delivering state-of-the-art, affordable environmental solutions that are designed to the specialized needs of each client.

Business Risks

The reader is referred to the discussion on Business Risks found in the Company's MD&A for the year ended September 30, 2019.

There has been no significant change in BluMetric's risk factors, with the exception of the COVID-19 pandemic which may negatively impact the Company's ability to execute its strategy and conduct business operations.

COVID-19's impact on Canada was strongly felt in March 2020 as local governments in the jurisdictions served by BluMetric declared a state of emergency and implemented physical distancing measures to reduce the spread of COVID-19, which included the closure of non-essential businesses and travel restrictions. Since this time, both Canada and the United States have loosened pandemic related emergency restrictions and are at varying stages of re-opening their economies. Despite these developments, risks related to COVID-19 remain.

Potential impacts on BluMetric related to COVID-19 include:

- Government response and related shut-downs to remediate a second or tertiary wave of COVID-19;
- Compressed margins at existing projects due to higher costs from modified work arrangements;

- Vendor price increases as they attempt to pass-through higher costs;
- Continued or additional suspensions at some of the Company's projects;
- Delays at other projects to ensure health and safety standards are met;
- Supply disruptions related to materials or labour;
- Deferrals in the bidding process for some projects; and
- Clients seeking price concessions due to weak economic conditions.

The duration and full financial effect of the COVID-19 pandemic is still unknown at this time and is subject to significant uncertainty. Accordingly, the COVID-19 pandemic may materially and adversely affect the Company's operations and financial results.

Factors mitigating the impact of COVID-19 include:

- The deemed "essential" nature of many of BluMetric's projects;
- Diversification of the Company's service offerings by market sectors;
- The implementation of a Pandemic Response Plan to ensure compliance with health and safety guidelines;
- Participation in government wage subsidy programs and various tax payment deferral programs. The Company will continue to pursue available government measures to assist with the associated impacts of COVID-19 on the Company's financial performance.
- Business processes implemented since the beginning of the pandemic which allow the Company to agilely manage its discretionary and non-discretionary costs in response to changing conditions; and
- Increased liquidity, if needed, from a higher borrowing limit on its operating credit line as a result of renegotiating its credit facility agreement and moving from a limit of $2.0 million for overdraft and $500,000 for letters of credit to a $2.5 million shared limit between overdraft and letters of credit. As at June 30, 2020, the Company has $4.4 million available between its operating line and cash balances.

Capital Resources

The Company's future growth strategy contemplates investment in various technologies and processes requiring capital for prototyping purposes. Accordingly, the Company may opportunistically approach capital markets for additional equity funding if conditions are favourable.

Critical Accounting Estimates and Judgements

The reader is referred to the detailed discussion on critical accounting estimates and judgements found in Note 2 of the Company's audited financial statements and related notes for the year ended September 30, 2019.

New Accounting Standards

Note 4 of the Company's condensed interim financial statements and related notes for the three and nine months ended June 30, 2020 discusses IFRS standards and interpretations that are issued and became effective for the Company on October 1, 2019.

Off-Balance Sheet Arrangements

Note 22 of the Company's audited financial statements and related notes for the year ended September 30, 2019 discusses commitments related to equipment leases and leases related to properties occupied by the Company. Many of these operating leases have fallen under IFRS 16 as implemented on October 1, 2019 and are now capitalized on the Statement of Financial Position. Please see note 4 in the Q3 2020 Condensed Interim Financial Statements for more information.

Transactions with Related Parties

All related-party transactions are conducted under terms and conditions reflecting prevailing market conditions at the transaction date and are recorded at the amounts agreed upon by the parties.

The remuneration of key management personnel, including directors, during the period was as follows:

	For the three months ended		**For the nine months ended**	
	June 30, 2020 $	**June 30, 2019 $**	**June 30, 2020 $**	**June 30, 2019 $**
Salaries	217,605	275,571	717,923	778,743
Short-term benefits	25,771	22,257	78,281	80,330
Share-based compensation	3,655	7,839	11,441	34,898
	247,031	305,667	807,645	893,971

Proposed Transactions and Subsequent Events

There are no proposed transactions or subsequent events for the quarter ended June 30, 2020.

Summary of Outstanding Shares and Dilutive Instruments

The Company currently has the following shares and dilutive instruments outstanding:

Shares:	28,675,695 common shares
Options:	970,000 options

Inter-Corporate Relationships

There are no inter-corporate relationships for the quarter ended June 30, 2020.

Financial Terms and Definitions

Definition of Non-GAAP Measures

This Management Discussion and Analysis includes reference to and uses terms that are not specifically defined in IFRS and do not have any standardized meaning prescribed by IFRS. These non-GAAP measures may not be comparable to similar measures presented by other companies. The Company believes that the measures defined here are useful for providing investors with additional information to assist them in understanding components of the financial results.

EBITDA. EBITDA represents net income before interest expense, income taxes, depreciation of property and equipment, and amortization of intangible assets. The Company uses this measure as part of assessing operating performance. There is no direct comparable IFRS measure for EBITDA.

Adjusted EBITDA. Adjusted EBITDA additionally excludes items that are significant and irregular (such as the sale of a building or goodwill impairment).

Management believes that Adjusted EBITDA as defined above is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. Adjusted EBITDA is also used by investors and analysts for valuation purposes. The intent of the Adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

Management's Responsibility for Financial Reporting

The condensed interim financial statements of BluMetric Environmental Inc. and all the information in this Management Discussion and Analysis have been prepared by management, which is solely responsible for the integrity and fairness of the data presented, including the many amounts, which due to necessity, are based on estimates and judgments. The accounting policies followed in the preparation of these condensed interim financial statements conform to International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those that it deems most appropriate in the circumstances. Financial information presented throughout this report is consistent with that in the financial statements.

BluMetric maintains systems of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible, principally through its Audit Committee, for ensuring that management fulfills its financial reporting responsibility.

Additional Information

Additional information on the Company can be found at www.blumetric.ca and at www.sedar.com.